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Warner, John DeWitt

Greenback retirement and
“gold” bonds

[S.I.]

[1895?]

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Greenback Retirement and "Gold" Bonds.

Most unquestionably there is no legal tender and there can be no legal tender in this country, under the authority of this Government or any other but gold and silver, either the coinage of our own mints or foreign coins, at rates regulated by Congress. This is a constitutional principle, perfectly plain and of the highest importance.—*Daniel Webster, 1836.*

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SPEECH

OF

HON. JOHN DE WITT WARNER,

OF NEW YORK,

IN THE HOUSE OF REPRESENTATIVES,

Wednesday, February 6, 1895.

The House being in Committee of the Whole on the state of the Union, and having under consideration the bill (H. R. 8505) to authorize the Secretary of the Treasury to issue bonds to maintain a sufficient gold reserve, and to redeem and retire United States notes, and for other purposes—

Mr. WARNER said:

Mr. CHAIRMAN: I have been somewhat puzzled at the reasons given by some gentlemen for their asserted support of this bill, and I have been still more puzzled at the reasons why some gentlemen are opposed to it. As I understand it, this is a bill for the retirement of our greenback circulation, for the performance, at this late day, of the promises made to the people a generation ago, that as promptly as possible the demand obligations of the Government should be paid off and retired; that the Government should go out of the business of fiat money, and the Treasury be divorced from the business of the private citizen. That is the reason I support the bill—because it is a bill for greenback retirement, a bill for the renunciation on the part of the American people of the "rag-baby" idea of money, a bill for paying the past-due debts of the Federal Government.

UNCONSTITUTIONALITY OF LEGAL TENDERS.

In the first place, sir, I have always believed that the Federal Government should mind its own business exclusively and keep out of that of others, except so far as it might by taxation, equitably adjusted, exact contributions necessary for the support of the Government, and I have always believed these legal-tender issues to be not merely unconstitutional, but oppressive and dishonest to boot—constituting, indeed, a forced loan levied by the strong hand of Government upon anyone so unfortunate as to have his property exposed to being looted by this means. The discussion of this usurpation, however, has become as threadbare as that of Adam's fall; so I content myself with quoting here, in better language than I could newly frame, the scathing arraignment of the legal-tender act made by Senator Collamer, of Vermont, when it was pending, and the abjuration by Chief Justice

Chase, delivering the opinion of the Supreme Court, of the sin alike against law and honesty, into which, while Secretary of the Treasury, his patriotic zeal had led him:

[Mr. Collamer, in the Senate, February 12, 1862.]

What is the public faith? On what does it rest? It is that the Government appreciates the inviolability of contracts. In this very bill you make provisions to enable a man, so far as the amount of the discount goes, to discharge his debt for a less sum than he agreed to pay. You put it in this very bill, and you do not oblige anyone else in the community to receive the paper at all. Everybody else can do as he pleases about taking it for his property. You make it a law binding only on those in action, and no way reaches those in possession. Therefore you make it for that purpose: a purpose which, upon the face of it, is to destroy the obligation of contracts, and therefore you do not hold contracts inviolable. Is it possible that you can expect to obtain the confidence of the community and the world with such language and such provisions in the very same bill in which you appeal for credit? If it must come to this, I should hope that there would be the little decency of keeping it out of this bill, and putting it in a separate measure.

My honest opinion is that the Constitution never intended to invest Congress with any such power. On this point I will suggest, first, that if this power was given to Congress it would be perfectly and utterly useless, except for purposes of injustice. Suppose there were no debts; suppose all debts were obliterated, and we were now about to raise money to start in our important national concerns, wanting credit, and we had said, in order to get along, that Congress shall have power to make the paper issued by the United States a tender; and suppose Congress directed an issue of paper and declared that it should be a tender. I ask whether anybody on earth could say that act be compelled to take it? Would not that tender clause be a brutum ulmen? I am going now on the supposition that nobody now has anything due to him. Then, of course, there is nobody to whom you can make a tender. As to taking it for his property, a man is under no obligation to do that. Then a power of that kind given to Congress in the Constitution would be simply and utterly useless; it could have no practical effect.

Then suppose we have debts, what does it do? Would you invest Congress with the power in such a case? It is good for nothing under heaven but to enable people to cheat. Congress gets nothing by it. You put out your paper; it deteriorates, it is at a discount. A man sells his property for whatever price he pleases, and if he knows that he is to get this paper in payment he will put on an artificial price to make up for its deterioration, and then he can tender the paper to his creditor in payment of a debt at its par value, though that creditor may thereby lose 25 per cent of his debt. The obligation of the contract is impaired just that amount by the act of the Government. If that is the only practical use that can be made of a power in Congress to make paper a tender, it seems to me that it does not commend itself very much, nor do I think anybody will be very ready to believe that the convention framed the Constitution on purpose to give this useless power just to enable some men to cheat their creditors. It would require a great deal more than silence to convince me that the convention actually intended to vest such a power as that in Congress for such an unjust purpose, and it can be used for no other purpose. The creditor loses his 25 per cent, and that does not go into the Treasury.

Again, before examining what the convention actually did I will present one other consideration. It will be seen from the extracts I have read that when they were about to form the Constitution the people had suffered, had been demoralized mainly by two things: First, by the Continental money which Congress had issued; and second, by paper which the States had issued after the war, and made a tender themselves, and made relief laws about. These were the two things from which the people had suffered. We all know that they wrote in the Constitution that no State should emit bills of credit, and the disastors of the people all owing to the States that had made the people suffered to the amount of \$200,000,000 by paper issued by the old Congress of the Confederation? Yes. Then what they were complaining of was not merely that the States corrupted their people by such laws.

I would ask any man looking at it in that clear light of history to say whether he believes that a convention would get together in that state of things and make a deliberate provision in order to guard against the consequences and corruptions which had followed such a course of conduct, that no State should thus delude its people, but that Congress might delude the whole nation whenever it pleased? Can any man in his senses believe that anything of that kind was or could have been intended? Yet that is the talk now, and that is the power which, it is said, is forbidden to the States and may be exercised by Congress.—*Congressional Globe*, second session Thirty-seventh Congress, page 718.

[Hepburn vs. Griswold, Supreme Court of United States, December, 1869. Opinion of the court by Chase, Chief Justice.]

* * * We are thus brought to the question whether Congress has power to make notes issued under its authority a legal tender in payment of debts, which, when contracted, were payable by law in gold or silver coin.

* * * The case before us is one of private right. The plaintiff in the court below sought to recover of the defendants a certain sum expressed on the face of a promissory note. The defendants insisted on the right, under the act of February 23, 1862, to acquit themselves of their obligation by tendering in payment a sum nominally equal in United States notes. But the note had been executed before the passage of the act, and the plaintiff insisted on his right under the Constitution to be paid the amount due in gold and silver. And it has not been, and can not be, denied that the plaintiff was entitled to judgment according to his claim, unless bound by a constitutional law to accept the notes as coin.

Thus two questions were directly presented: Were the defendants relieved by the act from the obligation assumed in the contract? Could the plaintiff be compelled, by a judgment of the court, to receive in payment a currency of different nature and value from that which was in the contemplation of the parties when the contract was made? * * *

It has not been maintained in argument, nor, indeed, would anyone, however slightly conversant with constitutional law, think of maintaining that there is in the Constitution any express grant of legislative power to make any description of credit currency a legal tender in payment of debts. We must inquire, then, whether this can be done in the exercise of an implied power. * * *

It is certainly not the same power as the power to coin money. Nor is it in any reasonable or satisfactory sense an appropriate or plainly adapted means to the exercise of that power. Nor is there more reason for saying that it is implied in, or incidental to, the power to regulate the value of coined money of the United States, or of foreign coins. This power of regulation is a power to determine the weight, purity, form, impression, and denomination of the several coins, and their relation to each other, and the relation of foreign coins to the monetary unit of the United States.

Nor is the power to make notes a legal tender the same as the power to issue notes to be used as currency. * * * This court has recently held that the Congress, under the Constitution, possesses, as incidental to other powers, the same power as the old Congress * * * to emit bills or notes; but it was expressly declared at the same time that this decision concluded nothing on the question of legal tender. * * *

The States have always been held to possess the power to authorize and regulate the issue of bills for circulation by banks or individuals, subject, as has been lately determined, to the control of Congress, for the purpose of establishing and securing a national currency, and yet the States are expressly prohibited by the Constitution from making anything but gold and silver coin a legal tender. This seems decisive on the point that the power to issue notes and the power to make them a legal tender are not the same power, and that they have no necessary connection with each other.

But it has been maintained in argument that the power to make United States notes a legal tender in payment of all debts is a means appropriate and plainly adapted to the execution of the power to carry on the power to regulate commerce, and of the power to borrow money. * * *

Let us inquire then, first, whether making bills of credit a legal tender, to the extent indicated by the Constitution, is consistent with the spirit of the Constitution. * * * That most valuable provision of the Constitution of the United States * * * that "no State shall pass any law impairing the obligation of contracts."

It is true that this provision is not applied in its literal sense to the Government of the United States. * * * But we think it clear that those who framed and those who adopted the Constitution intended that the spirit of this prohibition should pervade the entire body of legislation, and that the justice which the Constitution was ordained to establish was not thought by them to be compatible with legislation of an opposite tendency. In other words, we can not doubt that a law not made in pursuance of an express power, which necessarily and in its direct operation impairs the obligation of contracts, is inconsistent with the spirit of the Constitution.

Another provision found in the fifth amendment, must be considered in this connection. We refer to that which ordains that private property shall not be taken for public use without compensation. This provision is kindred in spirit to that which forbids legislation impairing the obligation of contracts; but, unlike that, it is addressed directly and solely to the National Government. It does not in terms prohibit legislation which appropriates private property of one class of citizens to the use of another class, but if such property can not be taken for the benefit of all, without compensation, it is difficult to understand how it can be so taken for the benefit of a part without violating the spirit of the prohibition.

But there is another provision in the same amendment which, in our judgment, can not leave its full and intended effect unless construed as a direct prohibition of the legislation which we have been considering. It is that which declares that "no person shall be deprived of life, liberty, or property without due process of law."

It is not doubted that all the provisions of this amendment operate directly in limitation and restraint of the legislative powers conferred by the Constitution. The only question is whether an act which compels all those who hold contracts for the payment of gold and silver money to accept in payment a currency of inferior value deprives such persons of property without due process of law.

It is quite clear that whatever may be the operation of such an act, due process of law makes no part of it. Does it deprive any person of property?

If in the cases mentioned the holders of the stock were required by law to convey it on demand to anyone who should think fit to offer half its value for it, the analogy would be more obvious. No one probably could be found to contend that an act enforcing the acceptance of 50 or 75 acres of land in satisfaction of a contract to convey a hundred would not come within the prohibition against arbitrary deprivation of property.

We confess ourselves unable to perceive any solid distinction between such an act and an act compelling all citizens to accept, in satisfaction of all contracts for money, half or three-quarters or any other proportion less than the whole of the value actually due, according to their terms. It is difficult to conceive what act would take private property without process of law if such an act would not.

We are obliged to conclude that an act making mere promises to pay dollars a legal tender in payment of debts previously contracted is not a means appropriate, readily adapted, really calculated to carry into effect any express power vested in Congress; that such an act is inconsistent with the spirit of the Constitution, and that it is prohibited by the Constitution.

It is not surprising that amid the tumult of the late civil war and under the influence of apprehensions for the safety of the Republic almost universal, different views, never before entertained by American statesmen or jurists, were adopted by many. The time was not favorable to considerate reflection upon the constitutional limits of legislative or executive authority. If power was assumed from patriotic motives, the assumption found ready justification in patriotic hearts. Many who doubted yielded their doubts; many who did not doubt were silent. Some who were strongly averse to making Government notes a legal tender felt themselves constrained to acquiesce, in the views of the advocates of the measure. Not a few who then insisted upon its necessity or acquiesced in that view have since the return of peace and under the influence of the calmer time reconsidered their conclusions and now concur in those which we have just announced. (8 Wall-lace U. S.), 693.)

If anything more could be needed to show the unscrupulous—however excusable—frenzy under which this legislation was originally had, it would be enough to quote Senator SHERMAN, who, admitting that he would have called it unconstitutional if he had not felt it necessary, practically justified despotism in order to crush rebellion:

If Senators will show me how they can raise money except in the way proposed, I will join them in denouncing paper money. * * * The Senator from Vermont, whose opinion is certainly entitled to the highest consideration, and who supports it with an able argument, contends that this measure is unconstitutional. I confess if I did not feel its necessity I would shield myself behind his conviction, and vote against it. * * *

As a member of this body I am armed with high powers for a holy purpose, and I am authorized—nay, required—to vote for all laws necessary and proper for executing these high powers and for accomplishing that purpose. This is not the time when I would limit these powers. Rather than yield to revolutionary force, I would use revolutionary force.—Hon. John Sherman, in the Senate, February 13, 1862.

Which, however, was no worse than Senator Fessenden's:

The question after all returns: Is this measure absolutely indispensable to procure means? If so, as I said before, necessity knows no law.

GREENBACK ISSUES A FAILURE.

Though scarcely an argument it is reassuring to one who likes to maintain faith in Providence to note how promptly and how severely was visited upon its authors the curse of their transgression. In 1861 the banks of the country had promptly met the appeals of

Government by putting at its disposal \$150,000,000, the banks of New York alone supplying \$105,000,000. Secretary Chase, with a wild idea that by locking up the funds thus secured until he should have expended them he might make a broader field for the circulation of United States demand notes, refused to use the banks as depositories, drained them of their currency, and issued \$50,000,000 of Government paper. Sacrificed on the altar of their own patriotism, the banks had the alternative either of gathering up the Government's notes and forcing it to suspend, or of suspending specie payments themselves before their remnant of coin was exhausted; and between Christmas and New Year's, 1861, they chose the latter.

Thus promptly did the rag-money policy of the Treasury launch the finances of the country on the sea of irredeemable paper. It is a characteristic of the fiat-money idea that, when it once gets into the head of anyone, its victim prescribes for every bite more hair of the same dog. It was after the experience just outlined that Senator SHERMAN delivered himself of the astounding logic above quoted. But within less than a year, on January 8, 1863, from the same place in the Senate in which he had advocated a paper legal tender, was delivered his recantation, to which every year of later experience has added the amen of the American people:

I think, Mr. President, it is possible that the specie standard might have been maintained in this country, but in order to do it we should have had to resort to very desperate measures. This war might have been carried on with such a standard, but in order to do it it would have been necessary to reduce every expense to the lowest possible amount. * * *

But, Mr. President, we know that that was not in accordance with the sense of our constituents: it was not in accordance with the sense of either House of Congress. They preferred, on the other hand, to pay liberally to all, and wasted, I fear lavishly, much of the money of the people at the outset of this war. We were driven to the use of paper money. We have to resort to it now; we must depend upon it; we can not get along without it.—Hon. John Sherman, in the Senate, January 8, 1863.

UNIVERSAL EXPERIENCE REPEATED.

Nineteen hundred and odd years ago Virgil noted how much easier it is to get into trouble than it is to get out of it:

* * * facilis descensus averno

Sed revocare gradum superasque evadere ad auras,

Hoc opus, hic labor est.

And the world ever since has been at work, as it had been from the beginning, in denouncing this—a work in which our greenbackers have done their full share. Not to mention earlier and equally illustrious predecessors in financial infamy, the generation had only lately been buried which had experienced the curse of Continental paper, and the failure of France and England to keep paper money at par was even more recent. But, refusing to learn from folly other than its own, the Administration in 1862 started its experience with this cheering explanation from Senator SHERMAN:

The only objection to this issue of paper money is that too much may be issued. There is no danger in it. I do not believe the issue of \$150,000,000 will do any harm; but if you continue to issue other sums you will at once depreciate the credit of these demand notes and destroy their value. If you confine it to the amount limited by this bill, I believe the effect will be healthy in all the business relations of the country.—Hon. John Sherman, in the Senate, February 13, 1862.

In view of the confident way in which steps downward were

thus started the following summary of the actual course of events may be significant:

GREENBACKS AND TREASURY NOTES AUTHORIZED.

1. \$50,000,000 demand notes authorized by the act of July 17, 1861, sec. 1. Afterwards made legal tender. See 4, below.
2. \$10,000,000 additional demand notes authorized by the act of February 12, 1862. Afterwards made legal tender. See 4, below.
3. \$150,000,000 legal-tender United States notes authorized by the act of February 26, 1862, section 1. (\$50,000,000 of this was in lieu of the \$50,000,000 demand notes authorized above, which were to be taken up as rapidly as practicable, and these new legal-tender notes substituted.)
4. Act of March 17, 1862, section 2, makes the demand notes issued under 1 and 2, above, legal tender.
5. \$150,000,000 legal-tender United States notes authorized by the act of July 11, 1862.
6. Joint resolution January 17, 1863, authorized the issue of \$100,000,000 United States legal-tender notes without interest, to be included in amount authorized by any bill pending or thereafter passed by Congress.
7. Act of March 3, 1863, authorizes \$400,000,000 of 6 per cent legal-tender Treasury notes not to exceed three years. Also \$150,000,000 legal-tender notes without interest, to be exchanged for interest-bearing notes then authorized, for no other purpose. Section 3 authorizes the issue of \$150,000,000, including the \$100,000,000 noted under (6), legal-tender United States notes, without interest.
8. Act of June 30, 1864, authorizes the issue of \$200,000,000 interest-bearing Treasury notes, legal tender for their face value, excluding interest; also limited total amount of United States notes to \$400,000,000, plus a margin not to exceed \$50,000,000 for redemption of temporary loans.
9. Act of April 12, 1865.—Retirement and cancellation of United States notes limited to \$10,000,000 for first six months, and thereafter to \$1,000,000 per month.
10. Act of February 4, 1868.—Further reduction of currency by retiring and canceling United States notes suspended.
11. Resumption act of January 14, 1875.—Reduction to \$300,000,000 authorized, at the rate of 80 per cent of national-bank notes taken out.
12. Act of May 31, 1878.—Unlawful to cancel or retire any more of the United States legal-tender notes.

Under these acts there were actually outstanding on the dates respectively named United States legal-tender notes, as follows:

United States paper currency outstanding at the close of each fiscal year.

Fiscal year.	Old demand notes.	United States notes.	Fractional currency.	Total notes.
1862	\$51,105,235.00	\$86,620,000.00		\$137,725,235.00
1863	3,381,000.00	387,646,389.00		\$391,027,389.00
1864	29,167.50	447,340,313.10	22,324,283.10	476,431,763.70
1865	472,043.50	431,066,427.99	25,033,128.70	456,572,104.25
1866	272,162.75	410,790,916.85	27,008,876.39	428,061,945.99
1867	208,432.50	411,788,767.00	28,413,625.62	440,406,625.12
1868	143,012.00	356,000,000.00	32,727,008.47	388,871,820.47
1869	129,739.25	356,000,000.00	32,114,657.36	388,285,396.61
1870	105,236.00	356,000,000.00	30,878,284.48	392,384,540.48
1871	96,365.50	356,000,000.00	40,562,874.56	396,679,284.06
1872	88,290.25	357,540,000.00	40,555,835.00	399,444,131.25
1873	79,907.50	356,000,000.00	44,709,365.44	400,879,272.94
1874	70,732.50	381,999,073.00	45,912,043.34	427,987,818.84
1875	70,107.50	375,771,580.00	42,129,424.19	417,971,111.69
1876	66,917.50	369,772,284.00	34,446,565.39	404,285,766.89
1877	63,065.50	339,764,382.00	20,463,137.34	383,231,431.84
1878	62,297.50	346,081,016.00	16,547,708.77	384,926,022.27

At which last figure our fiat currency has practically remained to the present, though the unredeemed fractional currency has ceased to be a factor.

Meanwhile good resolutions thrived. February 10, 1863, Mr. SHERMAN had said from his place in the Senate:

Then ["the moment the war is over"] the legal-tender notes become absorbed at once in bonds and are retired. All the legal-tender notes now outstanding will be funded into bonds of the United States at 6 per cent the very moment those bonds are worth par in gold.

December 17, 1867, as chairman of the Committee on Finance, he reported:

*** Your committee are of the opinion that the time is not distant when it will become the duty of Congress to repeal so much of existing laws as makes the United States notes a legal tender in payment of debts either public or private. This provision was adopted with extreme reluctance and under the pressure of overwhelming necessity. It is inconsistent with sound financial principles. *** During the war of 1861, when financial embarrassments had impaired the revenue and destroyed the public credit, a limited-tender Treasury note was proposed, but was promptly rejected. Mr. Dallas, in a communication to the Committee on Ways and Means declared that "the extremity of that day can not be anticipated when any honest and enlightened statesman will again venture on a desperate expedient of a tender law." We were driven to that extremity, but we should hasten to abandon so desperate a remedy at the earliest day practicable. The moment when we can restore our notes to a specie standard should be signalized by a return to correct principles, and our United States notes should stand like all other paper money, receivable only at the pleasure of the creditor.

January 24, 1870, former pledges were redeemed—on the Micawber plan—by a new one:

I am convinced, although it is unnecessary to discuss that point here, that in time it will be wise to retire our United States notes and all forms of Government circulation, and depend upon notes issued by private corporations amply secured beyond peradventure, so that in no case can the noteholder lose, and to subject the banks to regulations applicable to all parts of the country, making them free so that the business of banking will be like the business of manufacturing, blacksmithing, or any other ordinary occupation or business of life governed only by general law.—Hon. John Sherman, in the Senate, January 24, 1870.

But by 1876 even his good intentions had ozied out at his fingers' ends and in his utterances of March 6, 1876, we have the confession that he had found the Avernian country so pleasant that he proposed to remain there:

Nor are we to decide whether our paper money shall be issued directly by the Government, or by banks created by the Government; nor whether at a future time the legal-tender quality of United States notes shall continue. I am one of those who believe that a United States note issued directly by the Government and convertible on demand into gold coin, or a Government bond equal in value to gold, is the best currency we can adopt; that it is to be the currency of the future, not only in the United States but in Great Britain as well; and that such a currency might properly continue to be a legal tender, except when there is a specific stipulation for coin.—Hon. John Sherman, in the Senate, March 6, 1876.

In which, however, he followed in a more dignified fashion the undignified example of the Supreme Court, which on this point had already reversed itself and repudiated its ancient respect for constitutional limitations.

American statesmanship has been thus discredited, American finances thus demoralized, the American people loaded with \$2,000,000,000 of expenditure and debt above what they could have been the legitimate expense of the war, the great body of American creditors despoiled during the earlier years of the war, and the panic of 1873 prepared by encouraging everyone to run into debt which he was afterwards obliged to settle in an appreciating currency; our financial pledges made in 1875, repudiated in 1878, and the long-expected day of resumption in 1879, made a farce which has continued ever since by the requirement that, without regard to currency conditions, the \$346,900,000 of fiat legal-tender notes now remaining should be kept afloat upon the responsibility of the Government to redeem them in gold.

And so, sir, I am ready to retire the greenbacks wholesale and promptly if I can get it done that way; gradually and partially if I can not do better. And this bill would have to be a very bad one indeed in other respects to prevent my supporting it so long as it had the merit of taking our Government in the slightest degree out of the fiat money business. But instead of its moderate

provisions being discounted by features which I do not like, they are, on the contrary, assisted by additional legislation which, even as separate measures, I should be glad to see adopted.

THE GOLD STANDARD.

It is not a question, sir, whether the finances of the country are upon a gold standard. They are so, and they have been so for the last sixty years, ever since the Democratic party, under the lead of those grand old gold bugs, Jackson and Benton, deliberately changed our coinage standard so as to drive out the then plethora of silver and induce the use of gold. The real question is, first, as to the extent to which our Government proposes repudiation; and second, as to how effectively we shall renounce any such intention. Our bonds outstanding have been issued while gold was not merely the world's currency, but our own standard—many of them when silver was worth so much more than gold that the word "coin" was assumed to mean gold, and gold only. For a generation we have paid every cent of our interest on the public debt in gold, and have reduced our total indebtedness from nearly \$3,000,000,000 down to about \$1,000,000,000 by payments exclusively in gold. We propose to continue this practice—the few who seriously doubt it forming no factor in either finance or politics. But we have been indulging in financial tomfoolery. With our currency in amount fully equal to the requirements of the country, we have been pouring into it silver dollars, part money and part fiat, and thus forcing out of circulation an increasing amount of other currency thus made superfluous. As by the law of 1878 our greenbacks were practically fixed in amount, the contraction necessitated has been in national-bank currency and in gold—in the case of the first by withdrawal of circulation; in that of the second by export.

In our more conservative days we had arranged to keep our \$50,000,000 of circulating fiat money afloat by maintaining a 30 per cent reserve in gold. We have kept on increasing our "confidence game" paper and silver until in July, 1890, we had outstanding, in addition to the \$350,000,000 of greenbacks, some \$450,000,000 of overvalued silver only kept afloat by its exchangeability for gold. In that month we arranged to increase the rate at which we would water our circulation to that involved in the monthly purchase of 4,500,000 ounces of silver—say 7 tons of silver for each working day that passed. At that date our revenues had been pouring in a surplus of \$100,000,000 per year; and our gold reserve was then \$180,000,000. The Sherman Act commenced to grind out trouble; and we have been in hot water ever since. Just at present we have outstanding \$350,000,000 of greenbacks, \$150,000,000 of Sherman notes, and \$450,000,000 of depreciated silver (less the \$100,000,000 of this currency now in the Treasury), and we have, to keep this afloat, \$40,000,000 of gold, the remnant of \$105,000,000 about December 1 last; and our credit is so shaken—the question being not of our resources, but of our intentions—that instead of selling our bonds on a 2.88 per cent basis, as but shortly since, the Administration is haggling in a desperate attempt to get a little premium on a 4 per cent long-term coin bond.

Such are the circumstances under which the President has sent in his message and this bill has been introduced, giving the Treasury authority to borrow, on obligations payable in gold, whatever amount of gold is necessary to meet the demands for redemption of greenbacks and Sherman notes, and directing the final cancellation of these as fast as they are redeemed. Everything else in the bill is incidental.

GOLD EXPORTS.

I confess that I have not been able to worry about gold exports as do some of our friends. Provided they are the legitimate result of commerce there is no harm in them; and if they come from something else, it is that something which is to be remedied instead of bothering about the gold exports themselves. If the question is simply securing enough gold, we can always solve it. If, however, gold exports are a consequence and an index of distrust of our common sense or honesty on the part of those whose business it is to estimate either, the situation—not the mere fact of gold exports—is a serious one, and that is just the one with which we are confronted to-day.

In last Monday's issue of the great commercial journal of this continent—the New York Journal of Commerce and Commercial Bulletin—I find it estimated that since July, 1892, the banks of our Eastern seaboard alone have so changed their policy on account of their distrust of our Treasury practices as to withhold from the Treasury \$273,000,000 of gold which they would otherwise have furnished to be paid into it, and to withdraw from the Treasury for export \$290,000,000 of gold which they otherwise would have supplied themselves. In other words, the lack of confidence of our financiers in the good faith and good sense of this Government during the last thirty-one months is measured by the \$563,000,000 of which the Treasury has been directly or indirectly deprived. I am not now finding fault with the banks for this. I should not cite it as striking evidence of patriotism upon their part; but I know of no reason why they any more than other individuals should organize an out-of-door relief society for this Government. The wealthiest nation in the world, blessed with bountiful crops, and enjoying profound peace, it is beneath contempt for us to plead the baby act and whine simply because those who hold our demand obligations choose to ask for their money when they want it. So long as we persist in doing a banking business we must be ready to meet our demand obligations, and if our reckless conduct causes a run we must meet it just the way others do—by paying our notes as fast as they are presented.

THE REED PLAN.

The gentleman from Maine [Mr. REED] addressed himself to this the other day, and made sundry luminous observations. Referring to the troubles through which we are passing, or into which we are getting, and to the fact that the greenbacks are used to drain the Treasury of its gold, he deprecated most earnestly this "endless chain" business, and gravely urged that it was never contemplated. He also introduced a bill which I suppose we may take for granted was intended by him to remedy the difficulties from which we are suffering. The more I read the bill the more puzzled I am to conceive what he expects it to accomplish. It consists of two sections, the first of which adds another to the classes of coin bonds for greenback-redemption purposes authorized by the act of 1875, and provides for a change in Treasury bookkeeping; and the second of which allows the Treasury to borrow on short-term obligations to meet any deficit of revenue.

Be it enacted, etc., That to enable the Secretary of the Treasury to provide for and maintain the redemption of United States notes according to the provisions of the act approved January 14, 1875, entitled "An act to provide for the resumption of specie payments," he is authorized, in addition to the power he now has under said act, from time to time, at his discretion, to issue, sell, and dispose of, at not less than par in coin, either of the description of bonds authorized in said act, or coupon or registered bonds of the United States, to an amount sufficient for the objects herein stated, bearing

not to exceed 3 per cent interest per annum, payable semiannually, and redeemable, at the pleasure of the United States, in coin, after five years from their date, with like qualities, privileges, and exemptions provided in said act for the bonds therein authorized. And the Secretary of the Treasury shall use the proceeds thereof for the purposes herein provided for, and none other.

Sec. 2. That to enable the Secretary to pay the current expenses of the Government so long as the current revenues shall be deficient he is authorized and required from time to time, in his discretion, to issue, sell, and dispose of, at not less than par, such an amount of certificates of indebtedness of the denomination of twenty-five, fifty, and one hundred dollars, or any multiple thereof, as may be needed for that purpose bearing not to exceed 3 per cent interest per annum, payable semiannually, and redeemable at the pleasure of the Government, in coin, after two years from their date, with like qualities, privileges, and exemptions provided in the act approved January 14, 1875. The Secretary may at his discretion sell and dispose of the same for not less than an equal amount of lawful money of the United States, at designated depositories of the United States, and at such post-offices as he may select, and the Secretary shall use the proceeds thereof for the purpose provided for in this section, and for none other.

In view of the fact that our increasing revenues are already running even with our expenses; that we now have a free surplus in the Treasury of \$100,000,000 exclusive of our gold reserve; and that the Secretary of the Treasury has just advised us that our probable revenues for the current calendar year will exceed our expenditures by some \$20,000,000, I can not but regard the second section of the Reed substitute as a survival—something he had left over from last summer, when he doubtless actually believed himself in predicting Treasury deficits as the result of the Wilson bill. It is certainly out of date now.

The first section I suppose is that part, if any part is such, of its substitute, which has been carefully prepared for this particular occasion. The only novel thing about it is its last clause, and I await with eager interest his explanation of what on earth it means. If it is only intended to provide that the Secretary of the Treasury shall be careful of his gold and not pay it out when he can help it, then all I have to say is that it is a cruel imputation upon officials who for nearly two years—and until now without the gentleman's assistance—have been abnormally careful to save their gold for just the purpose he suggests. As to the hoard of greenbacks and Sherman notes which will result from the use of the gold in redemption the substitute is silent. I take it, however, that the gentleman's contempt of the "endless chain" business has something to do with the last clause of the first section. But, accepting this theory—which seems to be his own—I am equally puzzled as to how he proposes to stop the "endless chain."

We have a law upon our statute books which he is sworn to help to enforce, the law of 1875, which commands that when the greenbacks shall have been brought into the Treasury they shall be reissued. What does the gentleman from Maine mean? Does he mean that we shall deliberately prepare to disregard that law, and in defiance of it hold them in the Treasury even if we have to sell bonds to raise the money in order to do it, and this without canceling, finally and fully, a single obligation of the Government? Does the gentleman from Maine intend that by thus holding the greenbacks in the Treasury we shall contract the currency to the total amount of them now outstanding, and that in defiance of the law? It will be time, I suppose, when his substitute is to be voted upon, for him to explain it under the five-minute rule; but until he does so I must assume that the plan which the gentleman from Maine suggests as a way to get out of the trouble in which we now find ourselves is to tax our people more, in order to raise an enormous surplus, with the intent and purpose of evad-

ing the act of 1875, and contracting the currency to the extent of the entire greenback issues by keeping them stored in the Treasury.

LACK OF CONFIDENCE—IN WHOM?

But the gentleman from Maine made yesterday an additional important suggestion—that in his opinion our present trouble was on account of "lack of confidence," and that somebody must have incurred the mistrust of the American people. With all his boldness and all his forgetfulness, I was rather startled, Mr. Chairman, to have him bring up that particular phase of the matter. For he was entirely right, sir. I have before me the Treasury statement showing the amount of gold from time to time in the Treasury.

I find that that store was maintained at nearly the figures at which it was left when Mr. Cleveland's first Administration went out of office until about September, 1890, and that then commenced the raid upon the Treasury that has continued ever since. Here is the exhibit—the increases in February and November, 1894, being the result of the addition in each case of between \$55,000,000 and \$60,000,000 of gold borrowed to replenish the Treasury:

Net gold coin and bullion in the Treasury at the end of each month, from February, 1893.

Month.	Net gold in Treasury.	Month.	Net gold in Treasury.
1890—February	\$196,245,980	1892—February	\$122,122,113
March	197,874,422	March	125,815,040
April	191,640,112	April	119,009,737
May	192,232,715	May	114,231,883
June	186,711,500	June	114,312,367
July	182,218,164	July	110,441,391
August	180,654,670	August	114,156,316
September	189,146,423	September	119,365,569
October	187,552,386	October	124,008,120
November	187,491,672	November	124,446,657
December	190,835,052	December	121,296,063
1891—January	177,380,288	1893—January	108,151,713
February	187,088,948	February	103,284,219
March	185,267,715	March	106,862,224
April	186,259,572	April	97,011,850
May	190,544,854	May	95,048,641
June	191,232,405	June	95,485,114
July	184,025,074	July	96,332,633
August	185,837,581	August	96,000,123
September	147,081,732	September	93,582,172
October	156,315,624	October	84,384,863
November	162,439,381	November	82,009,040
December	118,972,035	December	80,801,040
1891—January	141,728,667	1894—January	65,600,175
February	140,712,824	February	104,527,068
March	148,115,150	March	119,149,036
April	141,732,241	April	104,202,680
May	133,267,164	May	78,053,267
June	117,007,723	June	64,873,025
July	121,113,624	July	54,975,967
August	132,471,409	August	55,210,100
September	132,525,222	September	55,517,417
October	137,674,422	October	61,301,836
November	120,106,224	November	105,424,659
December	131,740,631	December	96,214,445
1892—January	119,574,905	1895—January	44,705,967

Next to Senator SHERMAN the gentleman from Maine is the one entitled to whatever of credit or otherwise is to be derived from this mess. Indeed, it was false modesty for him to have referred in so impersonal a way to the lack of confidence arising from events, as to which he might well have said "quorum pars magna fui." The lack of confidence commenced when the Fifty-first Con-

gress, under his leadership, began to grind out its legislation. It has steadily grown during the time that that legislation has remained in force. It has just reached its consummate flower as the result of what for the time seemed a successful attempt on his part to thwart all effort to remedy it. He will find some familiar figures in those quoted above, and if he takes pride in the ability of his party and himself to make trouble for the country he can not but be satisfied at the exhibit.

For during the very next month after the Sherman Act was passed by the solid Republican vote of the House under his leadership the Treasury lost \$38,000,000 of gold to frightened holders of United States notes, who presented them for redemption. And now, after having seen them continued worried for more than four years, he has seen a run upon the Treasury taking out \$8,000,000 of gold, the greater part of it within two weeks after the fiat-money combine of free-silver Democrats, Populists, and Republicans en masse under his leadership had succeeded in side-tracking the Springer bill. Lack of confidence! If there is anything, sir, which is unlimited it is the justifiable lack of confidence possessed by the country in the financial movements in which the gentleman from Maine has assisted.

THE HARRISON MAKESHIFT.

The most daring suggestion, however, of the gentleman from Maine was that in which he contrasted the state of the Treasury as left by the patriotic Mr. Harrison with the condition it promptly assumed under the Administration of Mr. Cleveland, which followed. The facts were that of the \$200,000,000 gold reserve left him by Mr. Cleveland half had already been lost as the closing days of the Harrison Administration approached, and a bond is now imminent—so much so that it had already been informally arranged for, and the favored bankers who were to negotiate it had already relieved the Treasury of a part of its greenback stock in return for good, round double eagles. It is true the bankers were fooled. But the canny Administration was not; and instead of going out on the 4th of March with the gold reserve depleted below the normal \$100,000,000 the astute Mr. Harrison promptly handed it over to Mr. Cleveland \$103,000,000 strong, leaving the latter in March and April to take the consequences of the increase of gold withdrawals caused by the extent to which superfluous greenbacks had been loaded upon the confiding banker by the Harrison Administration in February.

For an ideal "confidence game" nothing can surpass the simple pathos of the unvarnished tale as told by Bradstreet's of February 13, 1893:

"Thus far the leading New York institutions, which contributed to the gold hoardings of the Treasury by exchanging their own specie for legal tender have furnished \$6,300,000, or a little more than one week's shipment to Europe. It has been understood that in case of necessity the New York banks were disposed to place 25 per cent of their gold holdings of about \$60,000,000 at the disposal of the Government. This would make their aggregated contribution some \$12,000,000 or more in amount, of which over one-half had already been sold to issue no bonds. It is, however, well understood that the events of the week decided to issue no bonds, and that the disposition to continue the policy of backing up the Treasury in its struggles with the combination of gold shipments and the silver law has been seriously modified.

MR. WALKER'S THEORY.

My friend from Massachusetts [Mr. WALKER] differs with the gentleman from Maine. He thinks the trouble is that the people have a lack of confidence in the Secretary of the Treasury.

Mr. Chairman, this reference to a lack of confidence suggests

to me a possible solution of the attitude of the gentleman from Massachusetts in this case. You all remember that only a few weeks ago he was breathing fire and slaughter against the hated greenback and challenging the Democratic party to join with him and the other Republicans to sweep it from the earth. But, after watching the course of the gentleman from Maine for the last few weeks, and listening to him yesterday and reading the substitute which he proposes, the gentleman from Massachusetts roars you as mild as a dove. Now, I do not imagine that he has really changed his mind. I know my colleague from Massachusetts too well for that. [Laughter.] But, sir, I believe that if he were asked to explain the reason why he has changed his tune, he would emulate the soldier who was caught running from the field of Bull Run, and was asked to explain his conduct. The gentleman from Massachusetts, I have no doubt, would adopt the explanation of that soldier and own up that while he was still "as brave as a lion himself, he had lost all confidence in his colonel." [Laughter.]

"GOLD" BONDS.

The bill before the committee, Mr. Chairman, is a very simple one. In the first section it is provided that the Secretary of the Treasury shall have greater discretion than is given to him by the act of 1875 with regard to the bonds to be issued to maintain the gold reserve then provided for. Then there is a proviso that the new bonds may be made payable in gold. My friend from Virginia [Mr. SWANSON] went into hysterics yesterday over that provision, and he has been followed by many of our friends on both sides of the House. He told a very good story, which I hope he will be long spared to repeat, of how we gold-standard men were so bigoted that we would not rise at the last day should the call be sounded through a silver trumpet. I have no doubt, sir, that after the gentleman from Virginia has stopped telling that story and died, there will come back to us a true story of how a noble Virginian on the other side of the dark flood has refused to accept a golden harp and has staid indoors rather than walk the golden streets of the New Jerusalem. [Laughter.]

But, steadfast of purpose as may be my friend from Virginia, I predict that he will not persist in this course through all eternity, for it would deprive him of association, not merely with Mr. Cleveland, who is not likely to change his mind, but with Samuel J. Tilden, Thomas Benton, and Andrew Jackson, and with that great Virginian to whom every Democrat owes allegiance; for it was no bloated bondholder, but Thomas Jefferson, who, after giving the matter full study in the days when our currency was being settled, advised that gold be overvalued in order, on account of its greater desirability, to make it the basis of our circulation.

The proportion between the values of gold and silver is a mercantile problem altogether. It would be inaccurate to fix it by the popular exchange of a half dollar for \$4, a louis for four French crowns, or five louis for \$25. The first of these would be to adopt the Spanish proportion between gold and silver; the second, the French; the third a more popular barter, wherein convenience is consulted more than accuracy. The legal proportion in Spain is 16 for 1; in England 15 for 1; in France 15 for 1. The Spaniards and English are found in experience to retain an overproportion of gold coins and to lose their silver. The French have a greater proportion of silver. The difference at market has been on the decrease. The financier states it at present as at 14 for 1. Just principles will lead us to disregard legal proportions altogether; to inquire into the market price of gold in the several countries with which we shall principally be connected in commerce, and to take an average from them. Perhaps we might with safety lean to a proportion somewhat above par for gold, considering our neighborhood, and commerce with the tendency which the high price of gold in Spain has to draw thither all that of their mines, leaving silver principally for our and other markets.

It is not impossible that 15 for 1 may be found an eligible proportion. I state it, however, as a conjecture only. * * * I would still incline to give a little more than the market price for gold, because of its superior convenience in transportation.—*Thomas Jefferson, notes on establishment of a money unit and of a coinage for the United States.*

I submit, sir, that it is equally foolish for us to be enamoured either of silver or gold. This is not a case of hate or of love. It is a matter of business. We have paid all our coin obligations in gold from the very commencement and we expect to continue to do so, and the only question is whether we shall secure for the relief of our tax-ridden people the benefit of the reduction of interest which will come from saying plainly what we are going to do. That, sir, is the reason and the only reason why these bonds are expressly made payable in gold. This is not a question of sympathy. It may be entirely wrong for the Gulf Stream to turn from our shores and warm the "hated Britishers," while it leaves Labrador to suffer from Arctic cold. Perhaps if I had been the one to arrange that matter I should have arranged it differently, but, sir, it would be useless for us to attempt to turn the Gulf Stream on the theory that it ought to have run this way and warmed this continent instead of the other. It would be as useless, and no more so than it is for us to attempt by legislation to say that the commerce of the world, which has now based itself upon gold, should be satisfied with silver.

THE NATION'S OBLIGATIONS DEBTS OF HONOR.

It has been asked, sir, why the United States should not take advantage of the strictest letter of its bonds, and, seeing that they are payable in "coin," insist upon solving them with silver coin, now worth only half its equal denominations in gold. One answer might well be that to-day it is not a question of how we shall pay off old debts, but of the terms upon which we can contract new ones; and nothing could be worse than the folly, while one is in the market to borrow money, of discussing at the same time the ways and means by which he can disappoint those from whom he has heretofore borrowed.

There is, however, another answer, and to my mind a far better one. Private obligations are enforceable at law. National obligations are not so, but are in the strictest sense "debts of honor." If a private individual takes what under the circumstances may to his creditors seem undue advantage of the narrowness of the stipulation in his bond the only consequence is perhaps a little more of reluctance to oblige him thereafter—a little more careful scanning of the letter of the obligation by which he thereafter offers to be bound. For, no matter what his morals or his disposition, if he be financially responsible, the law will hold him to the actual fulfillment of the contract which he makes. In the case of a Government, however, every man who loans it money understands perfectly well that he has absolutely no other security than the honor of his debtor. And so the least sign of any disposition on the part of a Government to see how far it can go in breaking to the hope the promise it has made to the ear is justly regarded as the evidence of a disposition that, being absolutely unsecured by law, may develop into flat repudiation. In short, sir, to loan to an unscrupulous individual is at worst to be left to the strict letter of the law. To loan to a Government that is in the least unscrupulous in taking advantage of its creditors is to take a gambling risk, the invariably large cash discount on which is always paid by the shifty debtor.

Such, sir, is the bill. Its other provisions are incidental. Some of them are not such as I should have preferred, and I hope to see

them changed by amendment before this bill is put to a vote. But, whether this shall be the case or not, the bill does provide for greenback retirement, and it proposes to lower taxation by putting down in black and white our unquestionable intention to pay our debts in gold.

THE SUBSTITUTES.

As to the substitutes, sir, the one proposed by my friend from Tennessee [Mr. Cox] contains so much that I approve that it is with the deepest regret that I not merely find myself forced to vote against it, but see it so thrown into the House as by the meagerness of the support it will command to discredit the cause—that of bank-note currency reform—in which I make no question it is sincerely pressed. It seems to me, sir, that some of our friends are now making a mistake similar to that made by others during the late discussion of the Carlisle bill. That was a bill for currency reform—the groundwork, indeed, of the substitute of which I am speaking. It will be remembered, however, that a great many of our friends damned that measure because it left the greenbacks so largely outstanding. Now we have a proposition to retire the greenbacks, and the Cox substitute is thrown in its path to the damage of the pending measure, and, I am sure, to its own greater disparagement.

Then we have the Reed substitute, my opinion of which it is needless here to repeat. Even if it were all that its author's fancy has painted, it turns up at a most inopportune moment. During the earlier months of this session there was no reason to believe but that a 3 per cent coin bond could be disposed of at par; and there was not lacking ground upon which it might have been urged as pertinent to provide for an increasing Treasury deficit. During those months, however, the gentleman from Maine sat as silent as the brooding Buddha—so successfully repressing his zeal and patriotism that their existence was not suspected. Now, however, when it has become certain that 3 per cent bonds payable in "coin" can not be sold at par; and after we have added to the developments of the last few weeks, the assurance of the Treasury that the revenues for the calendar year will be ample, he can be restrained no longer, but, now that the question is one of greenback retirement, chooses to antagonize it with his belated propositions. I will not characterize his attitude. There is danger, however, that unkind people may suspect that he is studying "how not to do it."

A COMMON GROUND.

It seems to me that this question is a very simple one. The question is that of the retirement of the greenbacks. We on the Democratic side can appeal to the teachings of Jefferson and Jackson and Tilden, and every one of the grand old school of Democrats who believed in hard money; who believed in no compromise with fiat issues; and every one of whom, living at the time these greenbacks were issued, denounced them, and in that denunciation was followed by the mass of the Democratic party.

To my friends on the Republican side we can point out the fact that not single dollar of this currency was issued except upon the explicit pledge given by every man who assumed to speak for that great party, whether in Congress or out of it, that as soon as the war was over these notes should be redeemed and canceled. Therefore, we can appeal to the minority on this floor to assist even at this late day in carrying out good Republican pledges.

More than that, sir; it seems to me we can unite upon a com-

mon ground. We have been too long acting upon the theory of Artemus Ward, who, as you remember, was conducting an exhibition of wax figures along in the border States at the time of the opening of the rebellion, and when one committee of safety after another asked him to which side he belonged and what were his principles, cried out in sheer despair: "Lord, gentlemen! how many times have I got to tell you that I ain't got no principles—I'm conducting a show!" [Laughter.]

And such, sir, is the principle, or lack of it, upon which all parties have too largely proceeded, though neither of us has had Artemus Ward's excuse, for we have all had principles, if we had only dared follow them. The trouble is, however, that we have been in the political show business, and instead of standing by our principles, good or bad, have too generally attempted to paint on the outside of our political circus tent the sort of animals that we thought would draw the most people to our respective shows. It has worked fairly well—disgracefully well, in fact. But the people have at last gotten pretty thoroughly acquainted with us, and for the next few years, at least on financial matters, the party that proposes to succeed has got to get out of the show business, build a substantial platform of business principles, and stand upon it with both feet. It might be too much to ask Republicans to follow Jefferson, or Democrats to stand by Chase and McCulloch; but if we get back to first principles we ought to agree on Benjamin Franklin, and join in carrying out Poor Richard's advice to pay your debts if you do not wish to be bothered by them.

[Here the hammer fell.]

1827

END OF
TITLE